

Proposed by:	Administration
First Reading:	01/17/2013
Second Reading:	02/07/2013
Vote:	5 Aye 0 Nay 1 Absent

**MUNICIPALITY OF SKAGWAY, ALASKA
ORDINANCE NO. 13-03**

AN ORDINANCE OF THE MUNICIPALITY OF SKAGWAY, ALASKA AUTHORIZING THE MUNICIPALITY OF SKAGWAY TO LEASE WATERFRONT PROPERTY TO TAIYA MARINE SERVICES.

WHEREAS, the Municipality received a request from Helen M. Crouch and Roger W. Griffin, DBA Taiya Marine Services, LLC. to lease 3,000 square-feet of waterfront property; and

WHEREAS, this ordinance ratifies the Assembly action taken at the March 17, 2011 Assembly Meeting;

NOW, THEREFORE BE IT ORDAINED BY THE ASSEMBLY OF THE MUNICIPALITY OF SKAGWAY, ALASKA that the Municipality of Skagway shall lease to Taiya Marine Services, LLC. 3,000 square-feet of waterfront property described as Tax Lot 5F, a portion of ATS 4, in the appraisal report dated January 13, 2011, by Horan & Company LLC (Exhibit A), for the period of April 1, 2011, through April 1, 2016; and

BE IT FURTHER ORDAINED that the lease is subject to the terms and conditions set forth in SMC 16.02.160; and


BE IT FURTHER ORDAINED that Taiya Marine Services shall be charged an annual rent of eight percent (8%) of the appraised value of \$33,000 according to Exhibit A, or \$2,640.00 annually plus applicable sales tax, prorated and paid in advance every calendar quarter; and

BE IT FURTHER ORDAINED that the Borough Manager is authorized to execute said lease with terms as defined above.


Section 1. Classification. This is a non-code ordinance.

Section 2. Effective Date. This ordinance shall become effective immediately upon adoption.

PASSED AND APPROVED by a duly constituted quorum of the Borough Assembly of the Municipality of Skagway this 7th day of February, 2013.


Stan Selmer, Mayor

ATTEST:


Emily Deach, Borough Clerk

(SEAL)





MUNICIPALITY OF SKAGWAY

GATEWAY TO THE KLONDIKE
P.O. BOX 415, SKAGWAY, ALASKA 99840
(PHONE) (907) 983-2297
(FAX) (907) 983-2151
www.skagway.org

**Municipality of Skagway
And
Taiya Marine Services LLC.
Lease Agreement
Small Boat Harbor Marine Services**

This Lease is entered into on this 21st Day of March, 2011, by and between the Municipality of Skagway (hereinafter, Municipality) a municipal corporation, and Taiya Marine Services LLC. (hereinafter Lessee), for the purpose of leasing a lot in the small boat harbor uplands.

WITNESSETH:

WHEREAS the Municipality owns the small boat harbor property; and

WHEREAS the Municipality wishes to extend the lease of a portion of land in conformance with the Skagway Municipal Code requirements;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, it is agreed as follows:

1. DURATION:

This lease shall be in effect for a 5-year period, from April 1, 2011 to April 1, 2016.

2. FACILITIES:

- A. The leased premises subject to this lease shall be the grounds or hypothetical portion of tax lot 5F, containing 3,000 SF in fee simple interest, Within ATS 4, Skagway city storage area as described in the Appraisal Report dated January 13 2011.
- B. The Lessee recognizes that the Municipality may construct improvements to the premises during the term of this lease. Adjustments to the lease amount, if any, due to such improvements shall be negotiated by the Municipality and Lessee, and approved in writing by both parties.
- C. The Municipality will drop an electric pole to the area with 30 amperes metered service.

3. LEASE AMOUNT:

Annual lease payment shall be in the amount of \$2,640.00 (Two Thousand, Six Hundred and Forty Dollars and No/100), plus any applicable municipal sales tax. This amount is payable in four (4) equal quarterly installments of \$660.00(Six Hundred and Sixty Dollars and No/100) plus applicable tax, due on or before the thirtieth day of, March, June, September, and December. Additionally, Lessee shall be responsible for cost of preparing said lease, including, but not limited to survey and appraisal costs.

4. OPERATIONS AND MAINTENANCE:

- A. Lessee shall promptly repair, rebuild or restore premises or facilities damaged or destroyed, except damage caused solely by the Municipality.
- B. The Municipality may, at all reasonable times and with prior notice, enter upon and inspect the leased premises. If the Municipality demonstrates that the Lessee has failed to perform maintenance or repair work required under this lease, and if Lessee, after prior notice of the deficiencies, fails to correct the deficiencies or begin corrective action within a reasonable time, the Municipality may enter any part of the leased premises and perform the necessary work. Lessee shall reimburse the Municipality for all reasonable expenses incurred by this work within ten days of the Municipality providing the Lessee with an invoice for the work.

5. INDEMNITY AND INSURANCE:

- A. **INDEMNIFICATION OF LESSOR.** Lessee agrees to indemnify, defend and save Lessor harmless against and from any and all claims by or on behalf of any person, firm or corporation, arising from the conduct or management of or from any work or thing whatsoever done in or about the leased Premises, beginning from March 19, 1968, regardless of when such claims may have occurred, arose or accrued, which in any way relate to the leased premises, including, without limitation, in connection with Hazardous Materials. Lessee also agrees to indemnify, defend and save Lessor harmless against and from any and all claims arising during the lease term from any condition of the leased property. Lessee also agrees to indemnify, defend and save harmless Lessor from any and all claims, including but not limited to physical injury, property damage, special damages, consequential damages, expenses, costs, and attorneys fees, directly or indirectly arising out of, in connection with, or incident to the operation of the leased premises or arising from any breach or default on the part of Lessee in the performance of any covenant or agreement on the part of Lessee to be performed, pursuant to the terms of this lease, or arising from Lessee's failure to comply with any law, ordinance or regulation of any governmental body, or arising from any negligent act or omission of Lessee or any of its agents, contractors, servants, employees, licensees, guests and sublessees and any agents, contractors, servants, employees, licenses and guest of its sublessees. Lessee's obligation to defend, indemnify and save Lessor harmless shall include Lessee's payments of reasonable actual legal fees,
- B. **INSURANCE:** Lessee shall provide to the Municipality of Skagway a certificate of insurance showing that the Lessee has obtained at least one million dollars (\$1,000,000.00) general liability insurance, which covers the Lessee's operations on the leased premises. Lessee shall provide the Certificate of Insurance, naming the Municipality as an additional insured, at the time of the effective date of the lease. Failure to maintain such insurance shall constitute a material breach of the terms and conditions of the lease. Lessee shall notify the

municipality twenty (20) days before the policy is canceled or terminated and unless the Lessee provides a new Certificate of Insurance within 30 days of cancellation or termination, the Municipality may terminate this lease without further notice at its sole option.

- C. **HAZARDOUS WASTE RESPONSIBILITY.** Lessee represent and warrant that the leased Premises will never be used for the generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous waste or substance. The term “Hazardous Waste or Substance” means hazardous or toxic substances, materials or wastes, including but not limited to any substance, material or waste which is (i) petroleum; (ii) asbestos; (iii) polychlorinated biphenyls (PCBs); (iv) toxic or hazardous substances as defined in Alaska Statute 18.60.105 or 46.03.826, and associated regulations; (v) designated as a “Hazardous Substance” pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ' 9601, et. seq.; (vi) designated as a “Hazardous Waste” pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. ' 6901, et. seq.; (vii) designated as a “Hazardous Substance” under the Clean Water Act, 33 U.S.C. ' 1321, or listed pursuant to 33 U.S.C. § 11317; (viii) listed by the U.S. Department of Transportation at 49 C.F.R. Part 302; and (ix) any other substance, waste or material which is regulated as hazardous or dangerous by any Federal, State or local agency.

Lessee agrees to hold Lessor harmless and to indemnify and defend Lessor against any and all claims and losses resulting from Lessee’ breach of this paragraph, including, but not limited to, any loss, damage, liability, cost, or expense, including reasonable actual attorneys’ and consultants’ fees and expert fees, and including without limitation (i) any claims of third parties for personal injury, property damage, or other harm, and (ii) any response costs, costs of remedial, restoration or clean-up actions, fines suffered or incurred by Lessor arising out of or related to the presence of Hazardous Materials in, on, or under the property, or out of any such use of the property, or due to the incorporation of such materials. This obligation to indemnify, defend and hold Lessor harmless shall survive the term of this lease and include any claim, cause of action or administrative regulatory enforcement action in which Lessee or Lessor are determined or alleged to be a potentially responsible party.

6. **DEFAULT:**

When the Municipality determines that the provisions of this Lease are not being met and attempts to resolve the matter are unsuccessful, written notice shall be given to the Lessee stating the nature of the deficiency and necessary corrective action. Lessee shall either take immediate corrective action or respond to the Municipality in writing within ten calendar days stating the reason for noncompliance and a schedule for compliance. If the Municipality determines this response unacceptable, in its sole discretion, the Municipality shall give Lessee written notice of default. In the event of default, Lessee shall have ten calendar days from receipt of notice to remove personal property and vacate the premises. If such property is not removed within this time period, the Municipality may take possession of the property and dispose of the property without any liability to the Lessee.

7. **TERMINATION**

The Municipality or Lessee may terminate this Agreement at any time by giving no less than 90 days written notice to the other party of such termination and specifying the effective date of such termination.

8. **TERM AND CONDITIONS:**

Taiya Marine Services-Lease Agreement

- A. This Agreement specifically supersedes any prior written or oral agreements between parties relating to the Lease of the property as described in this agreement.
- B. Unless otherwise provided for in this Lease, the provisions of Skagway Municipal Code Title 16.02.160, Terms and conditions of Lease, shall govern this lease and are attached to and incorporated into the terms and conditions of this lease.

9. NOTICE:

All notices and requests in connection with this lease shall be in writing and shall be addressed as follows:

MUNICIPALITY: Municipality of Skagway
Municipal Manager
P.O. Box 415
Skagway, AK 99840

LESSEE: Taiya Marine Services LLC.
Roger W. Griffin
Helene M. Crouch
P.O. Box 423
Skagway, AK 99840
907-973-7817

10. MISCELLANEOUS

- A. Any civil action arising from this Agreement shall be brought in the Superior Court for the First Judicial District for the State of Alaska at Juneau, Alaska. Venue for trial in any action shall be in Skagway, Alaska. The law of the State of Alaska shall govern the rights and obligations of the parties.
- B. This Agreement is binding upon the heirs, successors and assign of the parties.
- C. This Agreement represents the entire Agreement of the parties and no other Agreement whether oral or written which is not specifically set forth in this Agreement or an addendum to this Agreement will have any force or effect upon the other party. Lessee specifically understands and agrees that no Municipal employee, Assembly member, or the Mayor has any authority to verbally modify this lease and any modifications must be in writing approved by the Assembly.
- D. The Municipality's waiver of any term or condition in this Agreement shall not constitute a waiver of any term or condition in this Agreement.
- E. If any term of this Agreement is held to be invalid, void or unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall be valid and binding upon the parties.
- F. Titles and headings to sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

Taiya Marine Services-Lease Agreement

G. Lessee is not relying on any representations by a Municipal employee, officer, assembly member, consultant or attorneys. Lessee has had a full opportunity to consult with their own attorney before entering this Lease.

This Lease shall not be assigned by the Lessee without the prior written consent of the Municipality.

IN WITNESS WHEREOF, the parties hereto have executed this lease as of the date first written above.

Thomas D Cochran
Thomas D Cochran, Mayor
For the Municipality of Skagway

Roger W Griffin
Roger W. Griffin for, Taiya Marine Services,
LLC, Lessee

Date 05 APR 11

Date MARCH 26, 2011

ATTEST:
Emily Deach
Emily Deach, Municipal Clerk

(SEAL)



**APPRAISAL REPORT
OF A HYPOTHETICAL PORTION OF
TAX LOT 5F, CONTAINING 3,000 SF IN
FEE SIMPLE INTEREST, FOR
TAIYA MARINE SERVICES, LLC WITHIN ATS 4;
SKAGWAY CITY STORAGE AREA, SKAGWAY, ALASKA**



PREPARED FOR: Tom Smith, City Manager
Municipality of Skagway
P. O. Box 415
Skagway, Alaska 99840

PREPARED BY: Timothy W. Riley, Real Estate Appraiser
HORAN & COMPANY, LLC
403 Lincoln Street, Suite 210
Sitka, Alaska 99835

EFFECTIVE DATE: January 13, 2011

REPORT DATE: January 13, 2011

OUR FILE NO.: 10-126

HORAN & COMPANY, LLC

403 LINCOLN STREET, SUITE 210 SITKA, ALASKA 99835

TELEPHONE (907) 747-6666 FAX (907) 747-7417

EMAIL appraisals@horanappraisals.com

CHARLES E. HORAN, WILLIAM G. FERGUSON, TIMOTHY W. RILEY, JOSHUA C. HORAN,
JAMES A. CORAK, AND JACQUE WALTON

REAL ESTATE APPRAISERS / CONSULTANTS

January 13, 2011

Tom Smith, City Manager
City of Skagway
P O Box 415
Skagway, Alaska 99840

Re: Appraisal Report of a Hypothetical Portion of Tax Lot 5F, Containing 3,000 SF in Fee Simple Interest, for Taiya Marine Services, LLC within ATS 4; Skagway City Storage Area, Skagway, Alaska; Our File 10-126

Dear Mr. Smith:

I have completed the attached appraisal report of the above-referenced property per your request. The report is provided in a brief summary narrative format with analysis of four land comparables found within the report. Based on my analysis of sales and leased properties in the area, as well as an understanding of current market conditions, it is my opinion that the subject property has a market value, as of January 13, 2011, in fee simple interest as follows:

\$33,000

Thirty Three Thousand Dollars

Your attention is invited to the remainder of this report, which sets forth the Assumptions and Limiting Conditions, Certification of Appraisal, and the most pertinent data considered in estimating the market value of the subject property. This appraisal report is intended to comply with the standards as set forth by the Uniform Standards of Professional Appraisal Practice (USPAP).

Thank you for this opportunity to be of service to you. If you or the potential lessees of the property have any questions or comments, please feel free to contact me at your convenience.

Respectfully submitted,

HORAN & COMPANY, LLC



Timothy W. Riley,
Real Estate Appraiser, AA685

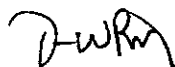
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CERTIFICATION OF APPRAISAL

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- Timothy W. Riley has not made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I have not performed any services regarding the subject property within the prior three years, as an appraiser or in any other capacity.



Timothy W. Riley , Real Estate Appraiser, AA685

January 13, 2011
Effective Date of Appraisal

January 13, 2011
Date of Report

1 INTRODUCTION

1.1 LOCATION

The subject property is referred to as the proposed Skagway City Storage Area, Taiya Marine Services, LLC lease site. It is located near the ferry terminal directly off Broadway Street and Service Road in Skagway, Alaska. The subject property is land proposed to be leased from the City of Skagway and is legally identified as a hypothetical 3,000 SF portion of tidelands, Tax Parcel 5F, a Portion of ATS 4. This description has been generated from the City of Skagway's assessment records.

1.2 INTENDED USE AND USER

The intended use of this appraisal is to estimate the fair market value of the subject property to be used as a basis for annual lease rates. The market value estimated is limited to the Assumptions and Limiting Conditions herein. The site is proposed to be leased to Taiya Marine Services, LLC for marine repair and welding. The intended user is the Municipality of Skagway. The client is the Municipality of Skagway.

1.3 PROPERTY RIGHTS APPRAISED

The subject property is appraised in its hypothetical fee simple interest.

1.4 INSPECTION AND EFFECTIVE DATE

At the request of the client, the subject property has not been inspected by the appraiser. The appraiser is familiar with the general area of the subject from observations made in the course of other work. The effective date, January 13, 2011, of this appraisal is the date of the report.

1.5 THREE YEAR PROPERTY HISTORY AND OSTENSIBLE OWNER

The subject property is owned by the Municipality of Skagway and has been for some time. It has not sold in the last three years.

1.6 SCOPE OF APPRAISAL

This appraisal employs the Sales Comparison Approach to value, also known as the Market Data Approach. Sales data is collected and developed through interviews with primary market sources such as buyers and sellers, as well as secondary sources including brokers, lenders, assessors, attorneys, and appraisers.

1.7 ASSUMPTIONS AND LIMITING CONDITIONS

Hypothetical Condition

This appraisal is subject to the hypothetical condition that the characteristics of the property to be leased, and the lease itself, are similar to the surrounding properties and their lease characteristics.

General Assumptions

This appraisal report, and valuation contained herein, are expressly subject to the following assumptions and/or conditions:

1. It is assumed that the data, maps and descriptive data furnished by the client or his representative are accurate and correct. Photos, sketches, maps, and drawings in this appraisal report are for visualizing the property only and are not to be relied upon for any other use. They may not be to scale.
2. The valuation is based on information and data from sources believed reliable, correct and accurately reported. No responsibility is assumed for false data provided by others.
3. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property.
4. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of the highest and best use.
5. It is assumed that the title to the property is marketable. No investigation to this fact has been made by the appraiser.
6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed that no conditions existed that were undiscoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraiser.
8. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
9. The value estimate is made subject to the purpose, date and definition of value.
10. The appraisal is to be considered in its entirety, the use of only a portion thereof will render the appraisal invalid.

11. Any distribution of the valuation in the report between land, improvements, and personal property applies only under the existing program of utilization. The separate valuations for land, building, and chattel must not be used in conjunction with any other appraisal and is invalid if so used.
12. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.

1.8 DEFINITION OF MARKET VALUE

Market Value

Market Value is defined as: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under undue duress.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute Pg 122

Implicit in this definition is consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what he considers his own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Fee Simple Interest

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 78

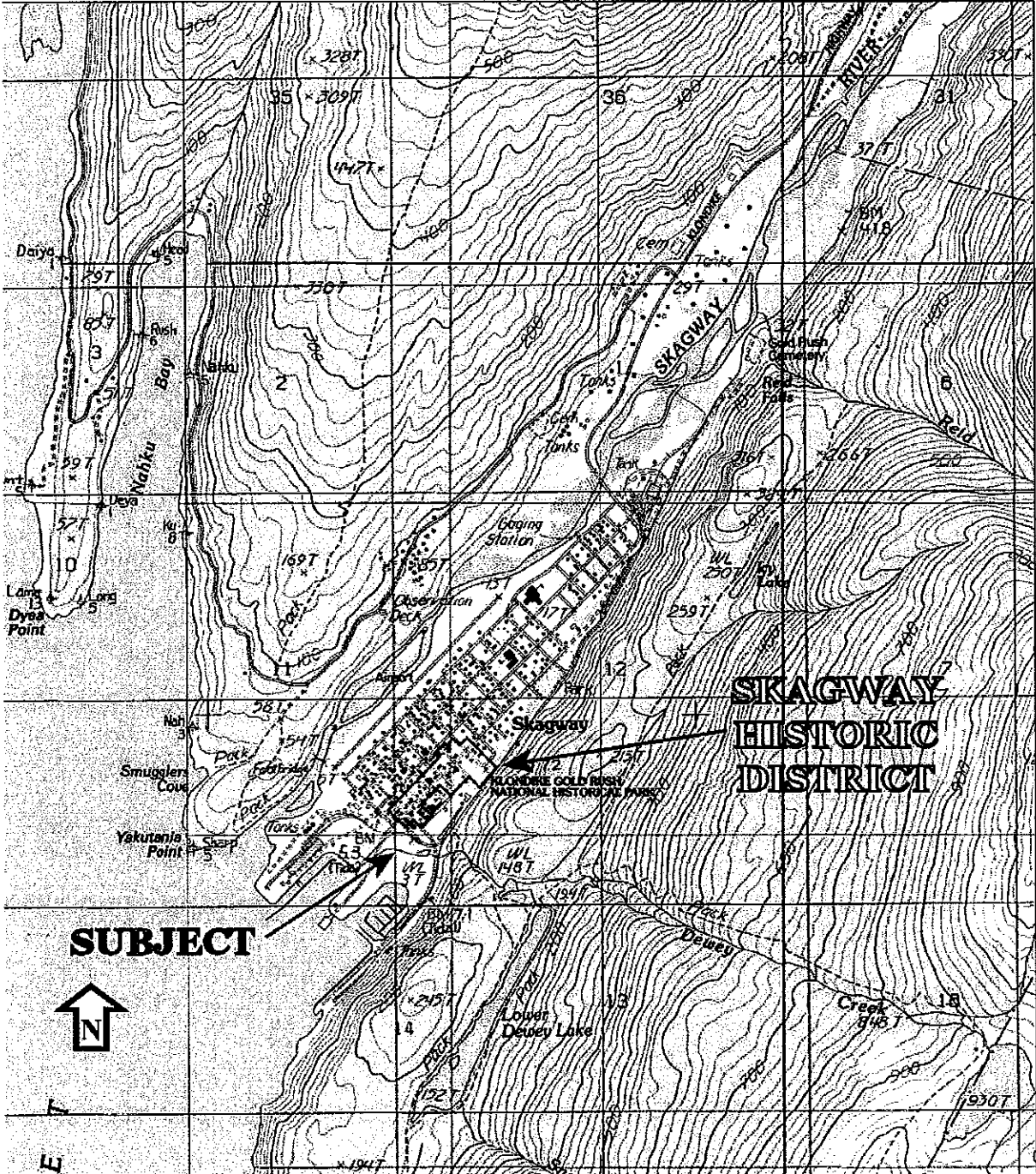
Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

(USPAP, 2010-2011 ed.) The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 97

A hypothetical condition may be used in an assignment only if:

1. Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
2. Use of the hypothetical condition results in a credible analysis; and
3. The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.



SKAGWAY AREA MAP

10-126 / Taiya Marine Services Lease Site, Skagway

2 AREA ANALYSIS

2.1 SKAGWAY AREA ANALYSIS

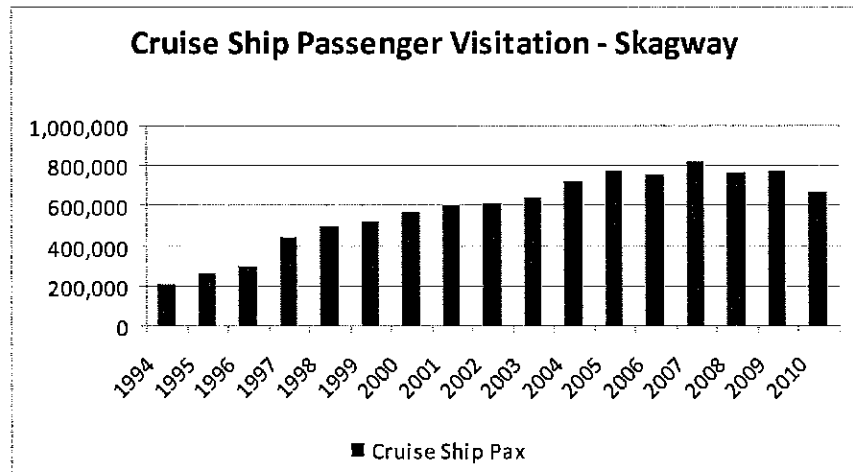
Skagway is situated at the northern most point of the inside passage in Southeast Alaska. It is 90 air miles northwest of the state capital, Juneau. The town site is located on a level area at the mouth of the Skagway River and is surrounded by scenic, rugged mountains rising some 7,000 feet from sea level.

This small, historic community was first settled by Captain John Moore in the 1880's. He saw the potential of the area as a port of entry into the Alaskan and Canadian interiors. Its sleepy, slow growth exploded with the discovery of gold in the Klondike and the subsequent stampede over the trail of 1898 which began in Skagway. Skagway soon became the first incorporated city in Alaska. It has been an important port of entry into the interior since the earliest days. The relics and convivial life style reminiscent of this era have been an interest to tourists throughout the years, and culminated in the dedication of downtown Skagway as part of the Klondike Gold Rush National Historic Park in 1976, by President Gerald Ford.

Skagway is an important transportation hub with highway access into the Yukon Territory and interior of Alaska tied into the deep water port accessing Lynn Canal and points south. Historically, it has been used for the shipping of mining products or concentrates originating in the Yukon which traveled by rail prior to the completion of the highway. They ship to points south for refining.

Population and Tourism

Skagway has also proven to be an important player in the tourism market of Southeast Alaska. The National Park Service presence, reserved historic character, White Pass Railroad, and the historic location of the community, all serve to draw a large number of tourists on an annual basis. History shows tourism has been



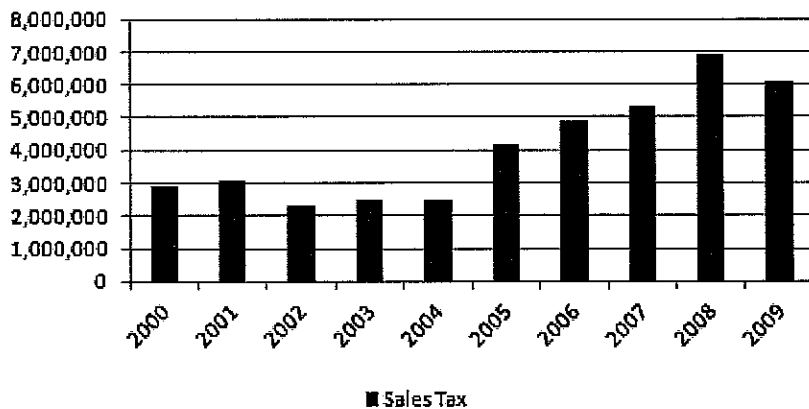
increasing over the past 25 years, with several substantial spurts of growth. Tour ship visitation in this time period has grown ten fold, with total visitation (road, air, ship, ferry) increasing over four fold. Along with this increase, demand for property and rental spaces have increased substantially through the years, especially after 2000. While 2010 showed an 11% decline in tour ship numbers, 2011's numbers are essentially similar and the future tourism outlook, overall, is for stability after its recent growth.

At the height of the gold rush, the boom town population was reportedly over 10,000. The population in modern times, however, has been fairly stable as evidenced by U.S. Census Bureau statistics. The population in the mid 1970s was higher than 1980 due to road construction of the Klondike Highway to Canada and the impact of tourism with the opening of the Klondike Gold Rush National Historic Park. With the closure of the railroad in October 1982, the year round population declined. However, the population of 850 has been stable for some time, with 865 reported for 2009; the most current numbers available. The number of residents swells in the summer tourist season, nearly doubling the town's size.

This increased seasonal demand has caused significant appreciation in general real estate housing and commercial land. Statistics kept for assessment adjustments show that values have gone up about 160% since 1995 for real estate land in general, and over 200% for land in the central Historic Business District. There has been a recent (2010) 10% decline in the assessment values for Skagway's core town land. As of the date of this report, 2011's assessment values have not been determined. This 2010 decline, established based on recent town core land sales and extractions from improved sales, is viewed as the market's reaction to the decline of tourism visitation discussed above, and the economic conditions discussed below.

The following chart of Sales Tax Revenues 2000 to 2009 helps show the extraordinary growth of the retail segment in Skagway.

Sales Tax Revenue 2000 to 2009



After the downturn in late 2008, significant discounting was noted in the pricing for the Alaskan cruise ship market for the 2009 season. As a result, passenger traffic for 2009 ended up slightly exceeding 2008. Spending per passenger, however,

noted a significant decline, mimicking regional trends. While the drop in sales tax is difficult to isolate due to variable costs of things like fuel, a larger component of 2008's spending as compared with 2009, the implications of 2009's 10% drop in sales tax revenue in the face of rising passenger counts is clear. With reduced revenues, comes reduced profitability, which in the larger picture, drives the demand for Skagway's real estate market. As noted, the 11% decline in passenger traffic noted for 2010 will likely impact sales activity, however, year end numbers are not available. The reduction in passengers, coupled with their reduction in spending, has already impacted the value of real estate in town, with vacant residential lots that two years ago would have sold quickly for \$75,000 or \$80,000, now commonly selling for \$60,000 to \$65,000. While the appraiser lacks the

ability to forecast economic conditions in any broad sense, the overall tendency is apparent, with some retrenchment in the rate as well as the direction of appreciation noted in the early to mid 2000s in the Skagway market.

2.2 NEIGHBORHOOD

The subject neighborhood is generally located near the fringe of the downtown core and is felt to have same economic, social and governmental influences as the entire community. The area is generally defined as that area zoned waterfront along the waterfront between the ferry terminal and the harbor master's office. The subject is a portion of the level storage/freight sort yard between the ferry terminal, a boat launch ramp and the harbor master building. There is a recently developed city-owned seawalk off Congress Way further to the east serving as pedestrian tourist access between the cruise ship docks and the downtown area near the harbor master building across the small boat harbor basin.

Conclusion

As long as the demand for tourism in Alaska holds up and the cruise ships continue to call on Skagway, the future outlook appears to be good. The rate of growth is expected to be moderate since the rapid expansion for tourist ship stops and capacity into the port of Skagway has neared a saturation point. The expansion of the mining industry in the Yukon and the revitalization of the Bulk Ore Shipment Terminal nearby also indicate stability for the community. The outlook is for stability and moderate growth.

3 PROPERTY DESCRIPTION

3.1 SITE DESCRIPTION

The subject site is a hypothetical, unsubdivided, 3,000 SF site within ATS 4. It is approximately located on the map within this report near the intersection of Service Road and Broadway close by the Alaska Marine Highway Ferry Terminal. It is generally level and close in grade to the nearby roads and is approximately rectangular in shape. It is essentially waterfront property at the edge of the boat harbor, and is felt to have the same economic, social, and government influences as the entire community.

Topography, Utilities & Access

The subject is flat and at grade with the surrounding lands. There are no utilities extended directly into the site. Utilities are available in the vicinity of the harbor master building and the ferry terminal road. The subject parcel is accessed across city-owned and leased-filled tidelands adjacent to the subject parcel.

3.2 ZONING

The subject site is zoned Waterfront (W). This zoning area is generally to protect relatively limited, developable, waterfront property in Skagway. "W" zoning generally allows for public, private, and commercial moorage, warehousing and storage, marine fuel, water and sanitation facilities, research and educational facilities related to the water, port, and harbor facility, seafood processing, boat storage yard, fish and shell fish propagation, parks and open space, and water-related visitor services, as well as sales related to maritime activity that requires/benefits from a shoreline location.

3.3 EASEMENTS AND ENCROACHMENTS

There are no known easements or encroachments on the subject parcel.

3.4 ASSESSED VALUATION AND TAXES

The subject site is owned by the Municipality of Skagway, and, as a hypothetical parcel, has not been available for taxation on a possessory interest basis.

This area is classified by the City of Skagway as being in Service Area II, and, as such, would be taxed as a possessory interest at 82.5% of the assessed value of the property.

3.5 FLOOD ZONE

The subject appears to lie within Flood Zone B, which is an area of moderate flooding per the FEMA flood zone map. Most of downtown Skagway is in Flood Zone B.

4 VALUATION

4.1 HIGHEST AND BEST USE

Highest and best use is defined as "the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property— specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 93

If the subject land were fully utilized, the zoning would allow for commercial use of a waterfront-related character. This would include warehousing, boatyards, port and harbor facilities or seafood processing. Considering the proposed location off improved access adjacent to the harbor, the subject’s proposed use of providing waterfront marine repair and welding is felt to meet all four tests of highest and best use.

4.2 LAND VALUATION

The subject land will be valued by the Sales Comparison Approach. This approach employs the principal of substitution, whereby willing buyers would typically pay no more for a property than what could be found as a substitute property within a reasonable period of time. This approach compares sales of vacant land relatively similar to the subject, or at least bracketing the subject, as superior or inferior, on a price per square foot basis. Since there are no two properties alike, some adjustments or ranking of the comparable sales will be performed. Following is a summary of the comparable sales used in developing a market value estimate for the subject property.

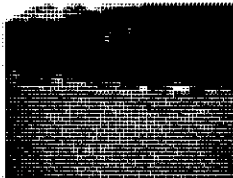
COMPARABLE SALES TABLE						
#	Location	Date	Price	SF	\$/SF	Comments
1	Portion ATS 4, Tax Lot 5A, Petro Lease	01/07	\$19,200*	1,600	\$12.00	Similar zoning; near seawalk and harbor
2	Portion ATS 5, Portion Tax Lot 5F, Hunz Lease	03/08	\$27,400*	2,490	\$11.00	Similar zoning, access and location; adjacent
3	Lots 11 & 12, Block 56	04/09	\$135,000**	10,000	\$13.50	Zoned Light Industrial; old hangar turned into shop building
4	Portion ATS 4, Tax Lot 6E, Corner Propane Lease	01/08	\$157,274	15,274	\$10.00	Similar zoning, access and location; fuel distribution
	Subject	01/11	Solve	3,000	Solve	Zoned W near seawalk and harbor

*Allocation Fee Simple @ 8% cap rate **Allocation from sale per assessor



091008_1034

Comparable 1 is the fee simple value of a 2007 lease and is similar in many characteristics including in intended use. Although it is on the waterfront, it is somewhat isolated from the nearby tourist traffic flow and is felt to be similar to the subject's somewhat removed location off the main tourist routes. Its smaller size at nearly half the size of the subject would make it more valuable on a price per square foot basis. It is ranked as **superior**.



052808_3768

Comparable 2 is the fee simple value of a 2008 lease and is similar in many characteristics including in intended use. Although it is on the waterfront, it is isolated from the nearby tourist traffic flow by the boat harbor and is similar to the subject's somewhat removed location off the main tourist routes, being nearly adjacent. While somewhat smaller, it is adequate for its intended purposes. It is ranked as **similar**.



090808_1338

Comparable 3 is the sale of an improved 10,000 SF lot, zoned Light Industrial (LI). This had an older hangar, which was converted into a shop. It is located on a strip of LI zoned land between Alaska Street and the airport, and has a relatively similar commercially-oriented zoning. This site is superior in its remove from the congested tourist areas close in to town such as those surrounding the subject. This sale involved the extraction of the land value from an improved sale. As an allocation of land value from improvements based on assessor's information, this sale's indications are less reliable than the other comparables, which are undeveloped lease sites. Considering the location, allocation basis of value, zoning and recent sales data, this sale is ranked as **superior**.



091008_1049

Comparable 4 is a lease of a larger parcel nearby. Utilized for fuel storage and sales, this site is similar in its waterfront, industrially-oriented use, but inferior in its larger size on a price per square foot basis, considering economies of scale. Considering its size, this lease is an **inferior** indicator of land value on a square foot basis.

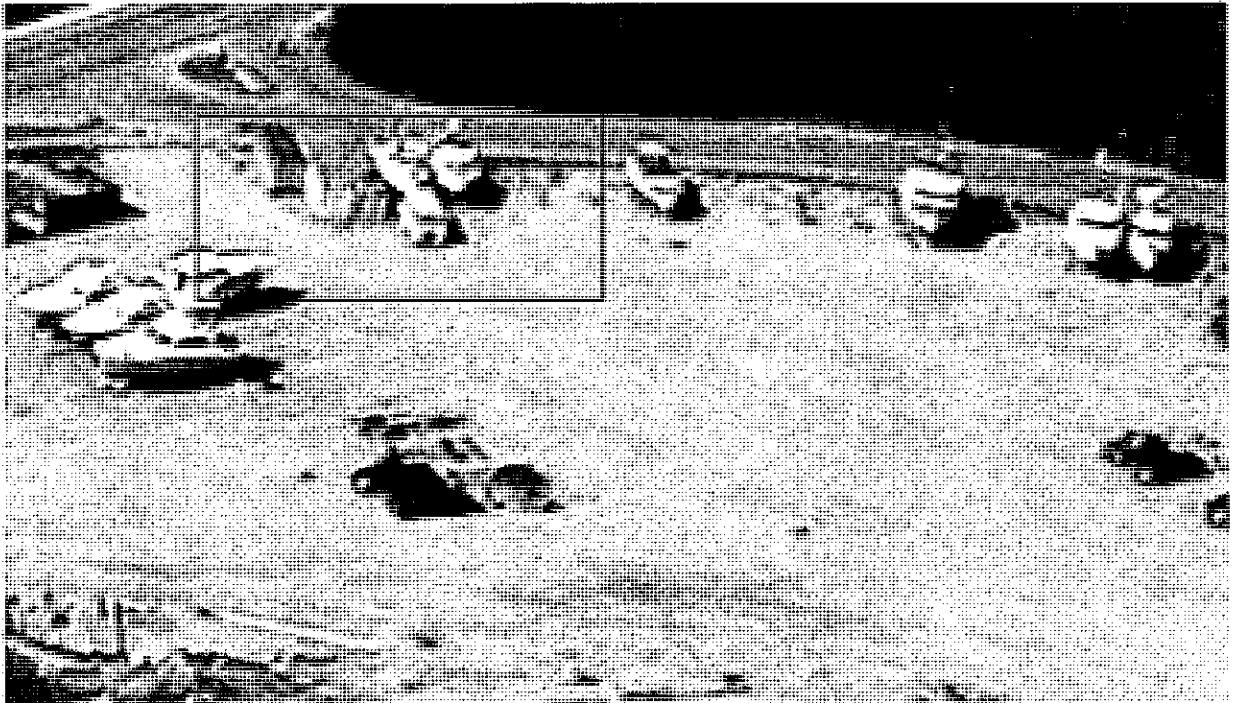
SALES RANKING			
Comparable	Sales Date	Price per SF	Ranking
Comp 3	04/09	\$13.50	Superior
Comp 1	01/07	\$12.00	Superior
Comp 2	03/08	\$11.00	Similar
Subject	01/11	Solve	Similar
Comp 4	01/08	\$10.00	Inferior

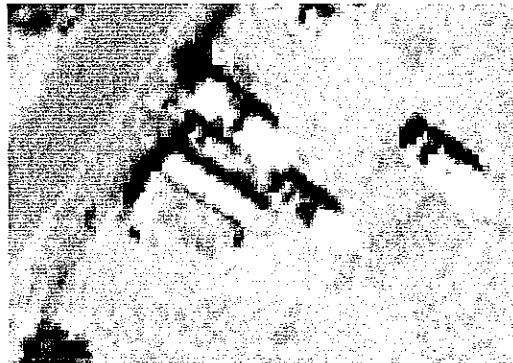
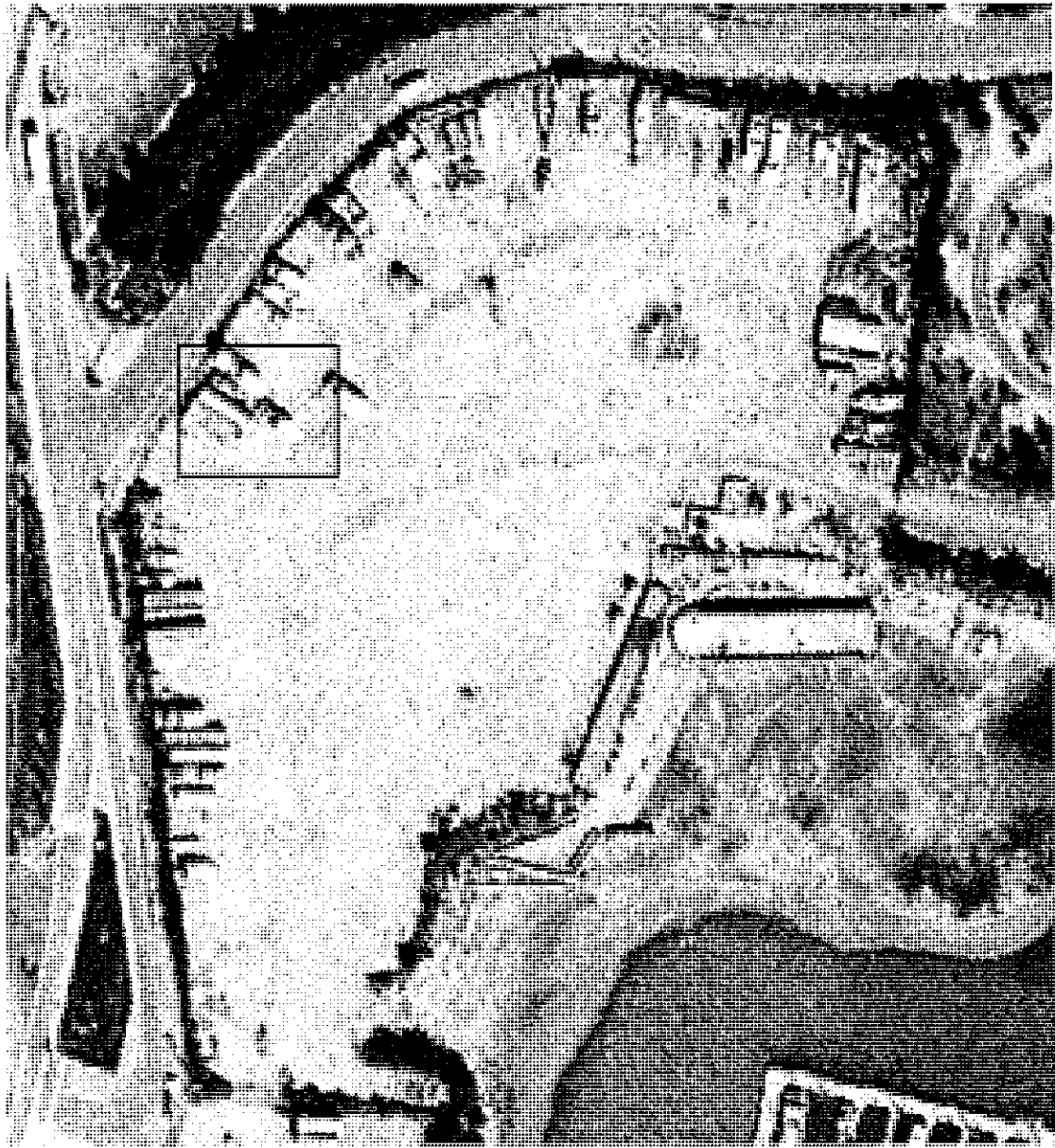
All of the comparables were ranked as superior, inferior or similar. Most weight is given to Comparable 2, which is a relatively current lease, as well as the closest in proximity and size to the subject. Some consideration was given to Comparable 1's lease; however, its very small size tends to discount its indications. Similarly, Comparable 3's and 4's indications are discounted due to their larger sizes and are given less weight.

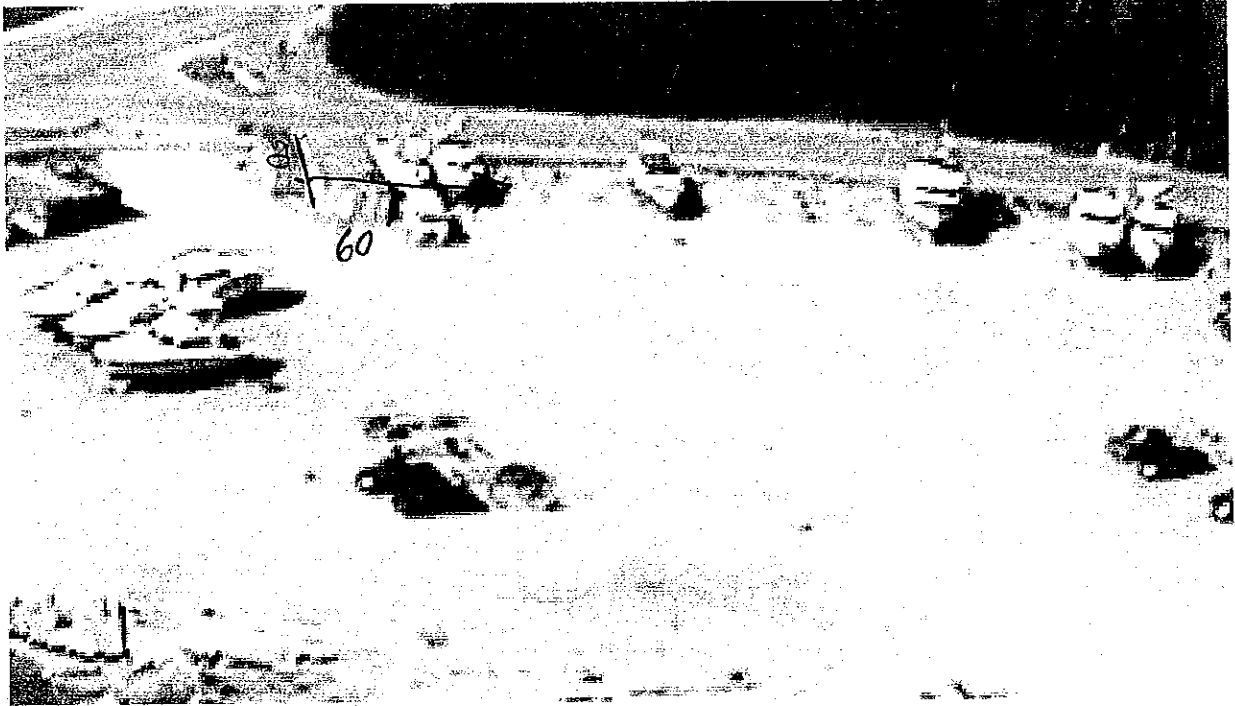
In consideration of the data analyzed above, a unit value of \$11.00/SF is felt to be most substantiated. This valuation as of January 13, 2011 can be summarized as follows:

$$3,000 \text{ SF @ } \$11.00/\text{SF} = \$33,000$$

ADDENDA







Application for Lease
16.02.030, A-D
Between Skagway, AK Municipality

And
Taiya Marine Services, LLC
November 12, 2010

*Incorp.
Std. Murry
Lease Language*

*8-Min: 1 to Helena
11-30-10
4-6-Min by
Costa charges Part*

Taiya Marine Services, LLC is respectively submitting the enclosed information for application to lease 3,000 square feet of city property in the staging area of the harbor for the purpose of marine repair and welding.

I. Location and dimension of said property:

50 feet deep X 60 feet long
Area immediately north of West Gate

II. Contact information:

Taiya Marine Services, LLC
taiyamarine@gmail.com
Helene M. Crouch, 907-973-7818
Roger W. Griffin, 907-973-7817
Business address, P.O. Box 423, Skagway AK 99840
Home address, 12687 Goose Egg Road, Casper WY 82604
Home phone, 307-237-0329

III. Proposed usage of the property:

- A. Diesel engine, electrical, fiberglass and welding repair for commercial and private vessels
- B. Placement of vessels that are currently being serviced by Taiya Marine
- C. Location of shop truck, sea van, welding truck and fabrication welding trailer necessary to do business
- D. Storage of our personal vessel - ~~This Lease Space or Other?~~

500 Not

IV. Proposed Lease Agreement

- A. Terms of lease- Five years
- B. Taiya Marine Services, LLC will assume responsibility for payment of the said appraisal per Skagway Municipal Code 16.02.030, C
- C. Taiya Marine Services, LLC agree to pay an annual lease rate of 8% of the appraised value of the property with the option to withdraw lease application if the appraised value of the square footage is not reasonable to do business, per Skagway Municipal Code 16.02.040
- D. Municipality of Skagway will drop an electric pole to the area with 30 amperes metered service - *A P+T Cost Est. ?*
- E. Taiya Marine Services, LLC request that the first years lease payment be excused to offset expenses - No

Its Code cant



*1st yr. Forgiveness
to be excused at ??
Completion of 507
3rd year of Lease*

*(X) Done - estimate for Power Pole / 30 amp Serv
for possible New Bus. at Small Boat
Harbor*

11-29

19.06.080 W—Waterfront zone.

The waterfront zoning district is intended for all property contiguous with the shoreline. This is to protect Skagway's limited, developable waterfront areas for those uses that are directly dependent upon, or directly related to the water, a waterfront location, or both. This is also to allow special consideration to the development, growth, public use and appearance of Skagway's waterfront, the City's most heavily utilized area. Water-dependent and water-related industrial and commercial uses have priority in this zoning district. Consideration is also given to maintaining safety, public access and an attractive appearance. Intended activities include those that derive major economic or social benefits from a waterfront location, with particular emphasis on industrial, tourism, commerce and commercial enterprises.

Criteria for including lands in this zoning district are those lands adjacent to the shoreline of Taiya Inlet.

A. Uses Permitted. (Note that the special policies outlined in (C) below must be followed when a building permit or conditional use permit for private or public sector development in this zone is obtained.)

1. Principal Uses.

- a. Public, private, and commercial moorage;
- b. Warehousing, storage and handling of cargo, provided, however, that:
 - (i) No use shall be constructed or operated so as to cause excessive noise, vibration, smoke, dust or other particulate matter, toxic or noxious matter, humidity, heat or glare, at or beyond any lot line of the lot on which it is located. "Excessive" is defined for these purposes as a degree exceeding that caused by customary manner of operation by uses permitted in the district, or a degree injurious to the public health, safety, or welfare.
- c. Marine fuel, water, sanitation facilities;
- d. Research and educational facilities related to the adjacent waterbody;
- e. Port and harbor facilities including docks, floatplane operations, barge freight terminals, and ferry terminals;
- f. Seafood processing plants, cold storage plants and facilities;
- g. Boat storage yards;
- h. Fish and shellfish propagation;
- i. Parks and open space;
- j. Administrative offices, accessory to waterfront uses listed in (a)-(i) above.

2. Conditional Uses.

- a. Heliport;
- b. Manufacturing, processing, repair or sales related to maritime activity that requires or benefits from a shoreline location;
- c. Hotels and motels;
- d. Sale and storage of fuels, gases and Class I, II, and III liquids, flammables and explosives, in compliance with applicable fire codes;
- e. Water-dependent or related visitor industry services (not retail);
- f. Residential uses, accessory to waterfront uses listed in (1)(a)-(i) above, such as watchman's apartment, owner-operator's home, necessary bunkhouses or congregate residence;
- g. Other appropriate uses and structures customarily contingent and clearly subordinate to permitted uses, as determined by the planning commission pursuant to Section 19.04.060.

B. Prohibited Uses.

- 1. Any use or structure not of a character indicated under permitted uses, or permitted by conditional uses.

2. Uses which degrade air, water, or land resources quality without mitigative measures to alleviate impacts.
3. Residential, except as otherwise defined.
- C. Special Policies. In addition to the general requirements set forth in Section 19.06.040, the following special policies will apply in the waterfront district:
 1. To maintain and enhance public access and use, safety and the general appearance of Skagway's heavily used downtown waterfront, applicant's are required to spend five percent (5%) of the total project cost on the amenities described at (C)(1)(d) below. Amenities may be proposed for the specific site development plan or on other City owned waterfront land, as approved by the City Council. Applicants for a building, allowable use or conditional use permit will submit a plan to the zoning or building official or planning commission showing project development with special attention to:
 - a. Buffers, screening, and sound fences between adjacent uses;
 - b. Parking;
 - c. Public access to the waterfront;
 - d. Amenities such as landscaping, walkways, bikepaths and bike racks, windscreens, water and fish viewing areas, picnic areas and interpretive displays.
 2. Compliance with the Skagway Coastal Management Program shall be strictly enforced within the waterfront district. Particular attention will be given to the Coastal Development Policies found at 17.40.020 parts B and C, and the Pullen Creek Area Meriting Special Attention (AMSA) Policies, found at 17.50.010, and the Port of Skagway AMSA policies.
 3. Public access to the water and hatchery related activities shall be emphasized within the Pullen Creek area. There shall be a fifty foot (50') wide buffer strip protected from development, measured from the centerline of the creek, on either side of Pullen Creek.
- D. Minimum Lot Requirements.
 1. Lot area, two thousand (2,000) square feet.
 2. Lot width, fifty feet (50').
- E. Minimum Building Setback Requirements.
 1. Front yard, twenty feet (20').
 2. Side Yard, twenty feet (20').
 3. Rear Yard, twenty feet (20').
 4. Accessory buildings of one thousand (1,000) square feet or less in size, ten (10') feet.
- F. Maximum Lot Coverage by Buildings. None.
- G. Maximum Height of Buildings. No limitation.
- H. Parking Requirements. All requirements within Section 19.08.020, Provision of Off-street Parking, including those for industrial and manufacturing establishments, must be followed.
- I. Landscaping or View Obscuring Screening. Whenever a lot line is in common with a major public street or adjacent to a business or residential zoned lot, there shall be a six foot (6') high solid fence, vegetative barrier, or other view obscuring screening to promote compatibility of land uses and mitigate negative visual impacts. Junk, trash and debris shall be removed.
- J. Visibility at Intersections. The standard at 19.06.020(J)(1) and (2) applies in this zoning district.

QUALIFICATIONS OF TIMOTHY W. RILEY

- Education:** Graduated from Roosevelt High School, Des Moines, Iowa
Attended University of Iowa, Iowa City, Iowa
Attended Fairhaven College, Western Washington State College, Bellingham
Attended University of Alaska Southeast, Juneau, Alaska
Attended Sheldon Jackson College, Sitka, Alaska
- Employment:** August 2004 to Present
Real Estate Appraiser - Horan & Company LLC
November 2001 to August 2004
Real Estate Appraiser - Horan, Corak and Company
1990 to Present
Experience in residential and income property management, rehabilitation, and new construction.
July 1994 to November 2001
Foreman, Packing Room - Sitka Sound Seafoods, Sitka, Alaska
January 1987 to July 1994
Laborer, Packing Room - Sitka Sound Seafoods, Sitka, Alaska
June 1986 to November 1986
Docent - Isabel Miller Museum, Sitka, Alaska
1976 to 1986
Various occupations including clerk, mailman, gardener, laborer, etc. in Juneau, Alaska
- Certification & Approvals:** Residential Real Estate Appraiser Certification, State of Alaska, January, 2004; #422
FHA Approved, September 2004
Approved Appraisers List: USA Federal Credit Union; RELS Valuation Services; First Bank; Alaska Pacific Bank; Chase Manhattan; Eagle Home Mortgage; Residential Mortgage; First National Bank, Alaska, ALPS Federal Credit Union
VA Approved, July 2007 #0065
General Real Estate Appraiser Certification, State of Alaska, October 2007; #685
- Appraisal Education:** Appraisal Principles, Course 110, Appraisal Institute, Chicago, IL, January, 2002
Appraisal Procedures, Course 120, Appraisal Institute, Las Vegas, NV, March 2002
Residential Case Study, Course 210, Appraisal Institute, Chicago, IL, May 2002
Standards of Professional Practice, Part A, (USPAP), Course 410, Appraisal Institute, Chicago, IL, May 2002
Basic Income Capitalization, Course 310, Appraisal Institute, Chicago, IL, October 2003
Online FHA and The Appraisal Process, Appraisal Institute, Chicago, IL, July 2004
Uniform Standards of Professional Appraisal Practice - 2005 Update, Juneau, AK, April 2005
Fannie Mae Residential Forms Update 2005, Juneau, AK, August 2005
General Applications, Course 320, Appraisal Institute, Plano TX, October 2006
Online Uniform Standards of Professional Appraisal Practice - 2007 Update, Chicago, IL, May 2007
General Appraiser Report Writing & Case Studies, Course 405G, Appraisal Institute, Plano TX, November 2008
Uniform Standards of Professional Appraisal Practice - 2009 Update, Juneau, AK, June 2009
Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Sacramento, CA, Dec 2010

HORAN & COMPANY, LLC

Types of Property Assessed for Taxation:

City of Craig real property assessment roll; commercial, single-family, multi-family and mobile homes.

City of Skagway real property assessment roll; commercial, single-family, multi-family and mobile homes.

Ketchikan Gateway Borough Annexation, Inspection of sites, creation of real property assessment roll, commercial, single family, recreational cabins and lands , large mining and forestry tracts, mining claims, lodges, recreational and commercial forest use permits.

Types of Property Appraised:

Residential - Single-family, multi-family, vacant land, relocations, mobile homes, condominiums, attached homes, as-proposed residential development, islands, and remote residential.

Commercial - Office buildings, bank buildings, retail buildings, apartments, warehouses, docks, real estate for value as a going concern with fixtures such as hotels, B & B's & liquor stores, as-proposed commercial development, rent consultation, subdivision analysis, industrial property, remote lands, remote lodges, lease valuations and vacant lands.

Expert Witness Testimony:

Board of Equalization Hearing testified on behalf of Ketchikan Gateway Borough

Rev. 12/10